

107TH CONGRESS  
1ST SESSION

# S. 888

To amend the Internal Revenue Code of 1986 to provide assistance to students and families coping with the costs of higher education, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

MAY 15, 2001

Mr. LIEBERMAN introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to provide assistance to students and families coping with the costs of higher education, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “College Tuition Assist-  
5 ance Act of 2001”.

6 **SEC. 2. DEDUCTION FOR HIGHER EDUCATION EXPENSES.**

7 (a) DEDUCTION ALLOWED.—Part VII of subchapter  
8 B of chapter 1 of the Internal Revenue Code of 1986 (re-  
9 lating to additional itemized deductions for individuals) is

1 amended by redesignating section 222 as section 223 and  
 2 by inserting after section 221 the following:

3 **“SEC. 222. HIGHER EDUCATION EXPENSES.**

4 “(a) ALLOWANCE OF DEDUCTION.—

5 “(1) IN GENERAL.—In the case of an indi-  
 6 vidual, there shall be allowed as a deduction an  
 7 amount equal to the applicable dollar amount of the  
 8 qualified tuition and related expenses paid by the  
 9 taxpayer during the taxable year.

10 “(2) APPLICABLE DOLLAR AMOUNT.—The ap-  
 11 plicable dollar amount for any taxable year shall be  
 12 determined as follows:

<b>“Taxable year:</b>	<b>Applicable dollar amount:</b>
2002 .....	\$5,000
2003 and thereafter .....	\$10,000.

13 “(b) LIMITATION BASED ON MODIFIED ADJUSTED  
 14 GROSS INCOME.—

15 “(1) IN GENERAL.—The amount which would  
 16 (but for this subsection) be taken into account under  
 17 subsection (a) shall be reduced (but not below zero)  
 18 by the amount determined under paragraph (2).

19 “(2) AMOUNT OF REDUCTION.—The amount  
 20 determined under this paragraph equals the amount  
 21 which bears the same ratio to the amount which  
 22 would be so taken into account as—

23 “(A) the excess of—

1           “(i) the taxpayer’s modified adjusted  
2           gross income for such taxable year, over

3           “(ii) \$50,000 (\$100,000 in the case of  
4           a joint return), bears to

5           “(B) \$10,000 (\$20,000 in the case of a  
6           joint return).

7           “(3) MODIFIED ADJUSTED GROSS INCOME.—

8           For purposes of this subsection, the term ‘modified  
9           adjusted gross income’ means the adjusted gross in-  
10          come of the taxpayer for the taxable year determined  
11          without regard to this section and sections 911, 931,  
12          and 933.

13          “(4) ADJUSTMENTS FOR INFLATION.—

14                 “(A) IN GENERAL.—In the case of a tax-  
15                 able year beginning after 2001, the \$50,000  
16                 and \$100,000 amounts in paragraph (2)(A)(ii)  
17                 shall be increased by an amount equal to—

18                         “(i) such dollar amount, multiplied by

19                         “(ii) the cost-of-living adjustment de-  
20                         termined under section 1(f)(3) for the cal-  
21                         endar year in which the taxable year be-  
22                         gins, determined by substituting ‘calendar  
23                         year 2000’ for ‘calendar year 1992’ in sub-  
24                         paragraph (B) thereof.

1           “(B) ROUNDING.—If any amount as ad-  
2           justed under subparagraph (A) is not a multiple  
3           of \$1,000, such amount shall be rounded to the  
4           next lowest multiple of \$1,000.

5           “(c) QUALIFIED TUITION AND RELATED EX-  
6 PENSES.—For purposes of this section, the term ‘qualified  
7 tuition and related expenses’ has the meaning given such  
8 term by section 25A(f)(1) (determined with regard to sec-  
9 tion 25A(c)(2)(B)).

10          “(d) SPECIAL RULES.—

11           “(1) IDENTIFICATION REQUIREMENT.—No de-  
12           duction shall be allowed under subsection (a) to a  
13           taxpayer with respect to the qualified tuition and re-  
14           lated expenses of an individual unless the taxpayer  
15           includes the name and taxpayer identification num-  
16           ber of such individual on the return of tax for the  
17           taxable year.

18           “(2) NO DOUBLE BENEFIT.—

19           “(A) IN GENERAL.—No deduction shall be  
20           allowed under subsection (a) for any expense  
21           for which a deduction is allowable to the tax-  
22           payer under any other provision of this chapter  
23           unless the taxpayer irrevocably waives his right  
24           to the deduction of such expense under such  
25           other provision.

1           “(B) DENIAL OF DEDUCTION TO THE EX-  
2           TENT CREDIT IS ELECTED.—No deduction shall  
3           be allowed under subsection (a) for a taxable  
4           year with respect to the qualified tuition and re-  
5           lated expenses of an individual to the extent the  
6           taxpayer elects to have section 25A apply with  
7           respect to such expenses for such year.

8           “(C) DEPENDENTS.—No deduction shall  
9           be allowed under subsection (a) to any indi-  
10          vidual with respect to whom a deduction under  
11          section 151 is allowable to another taxpayer for  
12          a taxable year beginning in the calendar year in  
13          which such individual’s taxable year begins.

14          “(D) COORDINATION WITH EXCLUSIONS.—  
15          A deduction shall be allowed under subsection  
16          (a) for qualified tuition and related expenses  
17          only to the extent the amount of such expenses  
18          exceeds the amount excludable under section  
19          135 or 530(d)(2) for the taxable year.

20          “(3) LIMITATION ON TAXABLE YEAR OF DE-  
21          DUCTION.—

22                 “(A) IN GENERAL.—A deduction shall be  
23                 allowed under subsection (a) for qualified tui-  
24                 tion and related expenses for any taxable year  
25                 only to the extent such expenses are in connec-

1           tion with enrollment at an institution of higher  
2           education during the taxable year.

3           “(B) CERTAIN PREPAYMENTS ALLOWED.—  
4           Subparagraph (A) shall not apply to qualified  
5           tuition and related expenses paid during a tax-  
6           able year if such expenses are in connection  
7           with an academic term beginning during such  
8           taxable year or during the first 3 months of the  
9           next taxable year.

10          “(4) ADJUSTMENT FOR CERTAIN SCHOLAR-  
11          SHIPS AND VETERANS BENEFITS.—The amount of  
12          qualified tuition and related expenses otherwise  
13          taken into account under subsection (a) with respect  
14          to the education of an individual shall be reduced  
15          (before the application of subsection (b)) by the sum  
16          of the amounts received with respect to such indi-  
17          vidual for the taxable year as—

18                 “(A) a qualified scholarship which under  
19                 section 117 is not includable in gross income,

20                 “(B) an educational assistance allowance  
21                 under chapter 30, 31, 32, 34, or 35 of title 38,  
22                 United States Code, or

23                 “(C) a payment (other than a gift, be-  
24                 quest, devise, or inheritance within the meaning  
25                 of section 102(a) or needs-based aid received

1 under part A of title IV of the Higher Edu-  
2 cation Act of 1965) for educational expenses, or  
3 attributable to enrollment at an eligible edu-  
4 cational institution, which is exempt from in-  
5 come taxation by any law of the United States.

6 “(5) NO DEDUCTION FOR MARRIED INDIVID-  
7 UALS FILING SEPARATE RETURNS.—If the taxpayer  
8 is a married individual (within the meaning of sec-  
9 tion 7703), this section shall apply only if the tax-  
10 payer and the taxpayer’s spouse file a joint return  
11 for the taxable year.

12 “(6) NONRESIDENT ALIENS.—If the taxpayer is  
13 a nonresident alien individual for any portion of the  
14 taxable year, this section shall apply only if such in-  
15 dividual is treated as a resident alien of the United  
16 States for purposes of this chapter by reason of an  
17 election under subsection (g) or (h) of section 6013.

18 “(7) REGULATIONS.—The Secretary may pre-  
19 scribe such regulations as may be necessary or ap-  
20 propriate to carry out this section, including regula-  
21 tions requiring recordkeeping and information re-  
22 porting.”.

23 (b) DEDUCTION ALLOWED IN COMPUTING AD-  
24 JUSTED GROSS INCOME.—Section 62(a) of the Internal

1 Revenue Code of 1986 is amended by inserting after para-  
 2 graph (17) the following:

3           “(18) HIGHER EDUCATION EXPENSES.—The  
 4           deduction allowed by section 222.”.

5           (c) CONFORMING AMENDMENT.—The table of sec-  
 6 tions for part VII of subchapter B of chapter 1 of the  
 7 Internal Revenue Code of 1986 is amended by striking the  
 8 item relating to section 222 and inserting the following:

                  “Sec. 222. Higher education expenses.  
                   “Sec. 223. Cross reference.”.

9           (d) EFFECTIVE DATE.—The amendments made by  
 10 this section shall apply to expenses paid after December  
 11 31, 2001 (in taxable years ending after such date), for  
 12 education furnished in academic periods beginning after  
 13 such date.

14 **SEC. 3. EXPANSION OF LIFETIME LEARNING CREDIT.**

15           (a) IN GENERAL.—Section 25A(c)(1) of the Internal  
 16 Revenue Code of 1986 (relating to lifetime learning credit)  
 17 is amended by striking “20 percent” and inserting “28  
 18 percent”.

19           (b) INCREASE IN AGI LIMITS.—

20                   (1) IN GENERAL.—Subsection (d) of section  
 21 25A of the Internal Revenue Code of 1986 is  
 22 amended to read as follows:

23           “(d) LIMITATION BASED ON MODIFIED ADJUSTED  
 24 GROSS INCOME.—

1 “(1) HOPE CREDIT.—

2 “(A) IN GENERAL.—The amount which  
3 would (but for this subsection) be taken into ac-  
4 count under subsection (a)(1) shall be reduced  
5 (but not below zero) by the amount determined  
6 under subparagraph (B).

7 “(B) AMOUNT OF REDUCTION.—The  
8 amount determined under this subparagraph  
9 equals the amount which bears the same ratio  
10 to the amount which would be so taken into ac-  
11 count as—

12 “(i) the excess of—

13 “(I) the taxpayer’s modified ad-  
14 justed gross income for such taxable  
15 year, over

16 “(II) \$40,000 (\$80,000 in the  
17 case of a joint return), bears to

18 “(ii) \$10,000 (\$20,000 in the case of  
19 a joint return).

20 “(2) LIFETIME LEARNING CREDIT.—

21 “(A) IN GENERAL.—The amount which  
22 would (but for this subsection) be taken into ac-  
23 count under subsection (a)(2) shall be reduced  
24 (but not below zero) by the amount determined  
25 under subparagraph (B).

1           “(B) AMOUNT OF REDUCTION.—The  
2 amount determined under this subparagraph  
3 equals the amount which bears the same ratio  
4 to the amount which would be so taken into ac-  
5 count as—

6                   “(i) the excess of—

7                           “(I) the taxpayer’s modified ad-  
8 justed gross income for such taxable  
9 year, over

10                               “(II) \$50,000 (\$100,000 in the  
11 case of a joint return), bears to

12                               “(ii) \$10,000 (\$20,000 in the case of  
13 a joint return).

14           “(3) MODIFIED ADJUSTED GROSS INCOME.—  
15 For purposes of this subsection, the term ‘modified  
16 adjusted gross income’ means the adjusted gross in-  
17 come of the taxpayer for the taxable year increased  
18 by any amount excluded from gross income under  
19 section 911, 931, or 933.”.

20           (2) CONFORMING AMENDMENT.—Section  
21 25A(h)(2)(A) of such Code is amended by striking  
22 “subsection (d)(2)” and inserting “subsection  
23 (d)(1)(B) and the \$50,000 and \$100,000 amounts  
24 in subsection (d)(2)(B)”.

1 (c) USE OF CERTAIN NEEDS-BASED AID FOR QUALI-  
 2 FIED EXPENSES.—Section 25A(g)(2)(C) of the Internal  
 3 Revenue Code of 1986 (relating to adjustment for certain  
 4 scholarships , etc.) is amended by inserting “or needs-  
 5 based aid received under part A of title IV of the Higher  
 6 Education Act of 1965” after “section 102(a)”.

7 (d) EFFECTIVE DATE.—The amendments made by  
 8 this section shall apply to expenses paid after December  
 9 31, 2001 (in taxable years ending after such date), for  
 10 education furnished in academic periods beginning after  
 11 such date.

12 **SEC. 4. EXPANSION OF STUDENT LOAN INTEREST DEDUC-**  
 13 **TION.**

14 (a) PER STUDENT BASIS.—

15 (1) IN GENERAL.—Section 221(b)(1) of the In-  
 16 ternal Revenue Code of 1986 (relating to maximum  
 17 deduction) is amended by inserting “with respect to  
 18 qualified education loans of each eligible student”  
 19 after “paragraph (2),”.

20 (2) EFFECTIVE DATE.—The amendment made  
 21 by this subsection shall apply with respect to any  
 22 loan interest paid after December 31, 2001, in tax-  
 23 able years ending after such date.

24 (b) ELIMINATION OF 60-MONTH LIMIT.—

1           (1) IN GENERAL.—Section 221 of the Internal  
2 Revenue Code of 1986 (relating to interest on edu-  
3 cation loans) is amended by striking subsection (d)  
4 and by redesignating subsections (e), (f), and (g) as  
5 subsections (d), (e), and (f), respectively.

6           (2) CONFORMING AMENDMENT.—Section  
7 6050S(e) of such Code is amended by striking “sec-  
8 tion 221(e)(1)” and inserting “section 221(d)(1)”.

9           (3) EFFECTIVE DATE.—The amendments made  
10 by this subsection shall apply with respect to any  
11 loan interest paid after December 31, 2001, in tax-  
12 able years ending after such date.

13 (c) INCREASE IN INCOME LIMITATION.—

14           (1) IN GENERAL.—Section 221(b)(2)(B) of the  
15 Internal Revenue Code of 1986 (relating to amount  
16 of reduction) is amended by striking clauses (i) and  
17 (ii) and inserting the following:

18                   “(i) the excess of—

19                           “(I) the taxpayer’s modified ad-  
20 justed gross income for such taxable  
21 year, over

22                           “(II) \$40,000 (\$80,000 in the  
23 case of a joint return), bears to

24                           “(ii) \$15,000 (\$20,000 in the case of  
25 a joint return).”.

1           (2) CONFORMING AMENDMENT.—Section  
2           221(g)(1) of such Code is amended by striking  
3           “\$60,000” and inserting “\$80,000”.

4           (3) EFFECTIVE DATE.—The amendments made  
5           by this subsection shall apply to taxable years end-  
6           ing after December 31, 2001.

7 **SEC. 5. PELL GRANTS.**

8           Section 401(b)(2)(A) of the Higher Education Act of  
9           1965 (20 U.S.C. 1070a(b)(2)(A)) is amended—

10           (1) in clause (iii), by striking “\$5,100” and in-  
11           serting “\$5,800”; and

12           (2) in clause (iv), by striking “\$5,400” and in-  
13           serting “\$5,800”.

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